

**D.                    EXECUTIVE SUMMARY OF PROPOSAL**

In response to Fairfax County's Request for Renewal Proposal issued May 11, 2004, and pursuant to the requirements of 47 U.S.C. Section 546, Comcast of Virginia, Inc. ("Comcast" or "Applicant") submits the following Executive Summary and the attached proposal forms and accompanying documents in support of its application for renewal of its cable franchise for the Reston area of Fairfax County, Virginia. In this Executive Summary, Applicant sets forth its proposal for renewal of its Reston cable franchise.

**I            Overview**

Comcast acquired the Reston cable system in early 1999 and currently serves approximately 18,300 subscribers, consistently providing its customers with the highest quality cable service. As a result of a full upgrade completed in 1999, the system features two-way interactive plant and highly reliable fiber-to-the-node architecture. The system carries hundreds of channels of diverse programming and offers a variety of cutting-edge services, such as high definition TV, digital service, video on demand, digital video recorders and high-speed Internet access. Comcast and its employees have been active participants in the County and are involved with local schools, community events, civic and business groups, and charitable contributions. Additionally, Comcast currently

operates Reston Community Television, an unusual hybrid of company local origination programming and community access, which produces hundreds of hours of original local programming and provides coverage of local events, working closely with many community organizations and individuals and providing hands-on experience in TV production for Reston students. Comcast looks forward to continuing its significant involvement in the Reston community.

Comcast has complied with the terms of the present cable franchise. It pays a 5% franchise fee to the County, the maximum permitted under federal law, and carries 8 public, educational and governmental channels, in addition to the Reston Community Television channel. It provides the County with an institutional network (I-Net) to interconnect local County facilities for training of County employees and to carry live programming from several locations.

Comcast proposes a 15-year franchise renewal, with the following features:

- Comcast will continue to pay the maximum lawful franchise fee of 5% of annual gross revenues derived from the provision of cable service in Reston. That fee currently yields approximately \$760,000 to the County annually.
- Comcast will continue to provide free cable service to designated educational and government facilities in Reston.

- Comcast currently carries 8 County PEG channels, plus the Reston Community Television channel – a total of 9 PEG channels. It believes those existing PEG channels can easily be reduced to 6 because of duplication of programming and greater efficiencies that can be derived through use of the Internet, freeing up 3 underutilized channels for PEG programming that is more appropriate for cable. During the renewal term, Comcast will agree to carry up to 13 PEG channels in the current analog format, subject to reasonable procedures for future channel activations. In addition, Comcast will provide up to an additional 5 video channels at such time as the Reston system transitions to an all-digital format – for a total potential of 18 digital PEG channels.
- Comcast will make an ongoing contribution for PEG capital equipment and facilities of \$ .25 per subscriber per month, increasing by \$ .05 per subscriber per month on each fifth anniversary of the franchise term. Based on the current number of subscribers, the initial \$ .25 fee should supply sufficient funding to meet the capital needs of the PEG users.
- Comcast will also provide a one-time technology grant in the amount of \$75,000, to be administered by the County, to assist the current users of the 3 channels Comcast believes should be eliminated from cable carriage in their transition to the Internet or other formats. Comcast would also provide the affected users with a reasonable amount of advertising availabilities on the cable system for informing the public about the changes and for promoting the users' websites.

- Comcast will construct a fiber optic I-Net to locations requested by the County and will assume responsibility for the cost of such construction, up to \$500,000, with the County bearing the remainder of the cost, if any. Alternatively, if the County prefers that another company perform the construction, Comcast will contribute up to \$500,000 to the cost of such construction.
- Comcast will continue to operate the Reston Community Television channel and will upgrade the studio facility in Reston, up to a cost of \$150,000.

## **II Ownership and Management**

Applicant Comcast of Virginia, Inc. owns and operates cable systems serving approximately 163,000 subscribers in 14 communities in Virginia, including Reston.

Troy Fitzhugh, Area Vice President and General Manager for Comcast's Northern Virginia systems, manages the operations of the Reston system. Mr. Fitzhugh has over 32 years of experience in the cable industry. He has served at every level of the business, from technician to engineering director to general manager. His extraordinary experience provides him with an opportunity to understand the business from a global perspective. As the VP and GM, he has the responsibility and authorization to make operational decisions that ensure that the local system operates efficiently and provides the highest quality of service to his customers.

Mr. Fitzhugh is supported by a senior staff that has over 70 years of combined cable industry experience, providing the Reston cable system and its customers with the support and expertise to ensure the best cable service possible. The Reston system has a local office in Reston, but also has the ability to access resources from the regional office in Manassas and Atlantic division offices in Silver Spring and White Marsh, MD. The resources and expertise of the regional and division offices provide the local staff with the support needed to address issues in all areas of cable operations.

Finally, Applicant is a subsidiary of Comcast Corporation, the largest cable operator in the United States, with over 21 million subscribers in 41 states and the District of Columbia. Comcast Corporation has constructed and operated advanced cable systems across the nation, with unparalleled experience and expertise in advanced cable technology, maintenance and operation.

### **III Financial Commitments**

The Reston cable system has been fully upgraded since 1999, and has no other material financial obligations except those incurred in the normal operation of its business.

#### **IV System Design and Construction**

The Reston cable system, upgraded in 1999, is a 750 MHz, hybrid fiber optic-coaxial cable, two-way activated system, providing 78 analog and 210 digital channels. The system offers video on demand, pay per view, digital video recording, high definition television and high-speed Internet access service. The optical nodes utilize redundant routed sets of fibers, and all power supplies have battery standby operating at 90 volts. All taps are classified as uninterruptible; and the headend has a standby generator. The system is constructed, maintained and operated to meet or exceed all applicable technical standards of the Federal Communications Commission.

Comcast has all facilities and equipment necessary to evaluate system performance. In 2005, it will install status monitoring systems for power supplies and optical nodes to allow the company to monitor several different performance parameters. Comcast also provides an Emergency Alert System that complies with FCC rules.

#### **V Program Services and Other Services**

The Reston system carries well over 200 channels of diverse analog and digital programming, including television broadcast stations, PEG channels, premium and pay-per-view channels, and a broad spectrum of cable program services, featuring movies, sports, news, science, history, and a wide assortment of other entertainment and special

interest programming. Comcast's digital service includes such features as multiplexed premium movie channels, CD quality music programming, an interactive on-screen programming guide, and parental controls. Comcast also carries nearly a dozen high definition television channels, video on demand featuring both free and premium programming, and digital video recorders, as well as high-speed Internet access service.

Comcast plans to introduce additional advanced services in Reston, such as Voice Over Internet Protocol (VoIP) telephone service, as they are demonstrated to be technically and economically feasible.

## **VI Public, Educational and Governmental Access <sup>\*</sup>**

The County has requested that Comcast make available up to a total of 18 analog PEG channels, double the number it now carries. While Comcast recognizes there is inherent interest in PEG and a value to the community in making such programming available, we believe that the benefits of a significant increase in PEG channels must be weighed against the limited interest among our customers in viewing additional PEG channels, their reluctance to forfeit other attractive entertainment and information programming currently carried in favor of extra PEG channels, and their resistance to paying significant fees to support PEG. In an April 2004 survey conducted by IMR, Inc.,

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<sup>\*</sup> While Comcast is making this PEG proposal, it has done so without waiving any legal rights it may have in any future proceeding. Please see Comcast's Memorandum on Legal Issues.

a market research firm based in Hudson, OH, 88% of the respondents felt the current number of 9 channels was sufficient, 98% were unwilling to give up other channels to receive additional PEG channels, and 90% did not want to pay an additional charge on their monthly bill to support more PEG channels. Further, the County's own cable survey indicated that the two most prevalent reasons for respondents electing satellite service increases if the cable company must also pay a substantial fee for PEG support. Additionally, since satellite companies have no PEG carriage requirement, they have another significant advantage if they can carry popular entertainment programming on 18 channels the cable operator must dedicate to less-watched PEG programming.

Additionally, Comcast believes certain PEG channels currently being carried in Reston either duplicate content available on the Internet or would be more appropriate for carriage on the Internet. Removing such programming from PEG channels would reduce the County's need for additional PEG channels.

With these concerns in mind, Comcast makes the following proposal:

#### Channels

Comcast currently carries 8 County PEG channels, plus the Reston Community Television channel – a total of 9 PEG channels. Comcast proposes eliminating the programming currently seen on Channels 27 and 29 and combining the programming on Channels 18 and 19 on a single shared channel, which would reduce the number of PEG



channels we currently carry to 6 and make more channel space available for PEG programming that is more appropriate for carriage on cable. Comcast would then be prepared to make up to 7 additional analog channels available for PEG programming – a total analog availability of 13 PEG channels – subject to a reasonable procedure for activating each additional channel that is based on two important factors, reviewing use of the existing PEG channels to ensure that they are substantially programmed before new channels are activated, and a process for the Board to approve any activation of a new PEG channel that would include participation by the public, ensuring that cable customers can play a role in County decisions affecting the channels they receive. This potential of up to 13 analog channels for PEG programming is very generous. In fact, in the Washington Metropolitan area, there is no other community with a franchise that contains a potential number of analog PEG channels greater than 13.

Additionally, Comcast proposes that, if the Reston system becomes an all-digital delivery system, Comcast would continue to make available those 13 channels, in a digital format, and would also make available to the County an additional 5 digital channels for PEG programming, for a total potential of 18 digital PEG channels.

Comcast also proposes to work with the County, the schools, community organizations and representatives to mutually determine creative uses of Comcast's on-demand capabilities to augment the PEG channels for more effective presentation of community programming.

### PEG Support

Comcast will make an ongoing contribution for PEG capital equipment and facilities of \$ .25 per subscriber per month, increasing by \$ .05 per subscriber per month on the fifth anniversary of the franchise term. Based on the current number of subscribers, the initial \$ .25 fee should supply sufficient funding to meet the capital needs of the PEG users. These funds can be used for any equipment or capital improvements related to PEG channels, as determined by the County.

Additionally, in order to assist the users of Channels 18, 19, 27 and 29 in their transition to the Internet or other formats, Comcast proposes a one-time technology grant in the amount of \$75,000, to be administered by the County. Comcast would also provide the affected users with a reasonable amount of advertising availabilities on the cable system for informing the public about the changes and for promoting the users' websites.

Finally, Comcast intends to continue to operate the Reston Community Television channel and plans to upgrade the studio facility in Reston, up to a cost of \$150,000. Comcast feels that at some point it may be appropriate to separate the traditional functions of local origination and public access, continuing to operate the channel as local origination, while turning the administration of public access over to a new or existing independent entity. However, at this time Comcast is prepared to continue to operate Reston Community Television as a hybrid service.

## **VII I-Net<sup>\*</sup>**

The current Reston institutional network (I-Net) is a mid-split HFC system, with five node locations. Schools and other government facilities within the franchise area are connected to the I-Net and active. The primary full-time use is to supply six training channels (and/or internal communications) to the connected sites. A secondary part-time use of the I-Net is to produce live local origination programs from several of the connected facilities, including town meetings, concerts and other special events. There is significant capacity remaining on this I-Net.

Comcast is prepared to construct a new fiber optic institutional network in Reston to the sites requested by the County, using a design provided by the County. The cost of constructing an I-Net at this time will be substantially higher than it might have been if it had been performed at the same time the Reston system was upgraded, because of the savings on labor costs when the projects are completed simultaneously. Comcast is nevertheless prepared to contribute a substantial portion of the cost of the project. In light of the size of the Reston community and the limited interest of our customers in financing a County communications network, Comcast must limit the amount it will pay to \$500,000. The County would be expected to bear the remainder of the cost. Should the County prefer to select another company to construct the new I-Net facilities in

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<sup>\*</sup> While Comcast is making this I-Net proposal, it has done so without waiving any legal rights it may have in any future proceeding. Please see Comcast's Memorandum on Legal Issues.

Reston, Comcast would provide a capital grant of up to \$500,000 toward that construction.

## **VIII Rates Needed in Light of the Proposal**

The capital grants Comcast is proposing to provide to the County during the renewal franchise will be passed through to our customers in their monthly bills. That will, of course, serve to increase the cost of service. Comcast's offer is intended to balance the County's interest in obtaining PEG and I-Net support with limiting the size of the surcharge to our customers.

## **IX Term**

Comcast proposes a 15-year franchise term. We believe this is appropriate in light of the significant investment Comcast has made in the Reston community. The cable system has been fully upgraded to enable the Company to offer a wide variety of advanced digital cable services, which we expect to continue to provide during the franchise term.

## **X Other**

Comcast has submitted as part of this Proposal a Memorandum on Legal Issues setting forth the legal principles governing Comcast's responses to the County's RFRP and the Forms the County has requested.

In a number of instances, Comcast has submitted a proposal that will need further discussion by the parties to refine the various elements of the proposal and incorporate the results of the parties' discussions into the provisions of the franchise agreement. Comcast looks forward to further discussions with the County with respect to its Proposal.